

Crescent Academy
Southfield, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Crescent Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crescent Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Crescent Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Crescent Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2008 on our consideration of Crescent Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii, and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crescent Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Crescent Academy's (academy) annual financial report presents our discussion and analysis of the public school academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy's general fund balance decreased by \$27,741.
- Blended enrollment used for state aid purposes remained at 308 in June 2008.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the academy.

The first two statements are academy-wide financial statements that provide both short-term and long-term information about the academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the academy-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Crescent Academy's Annual Financial Report

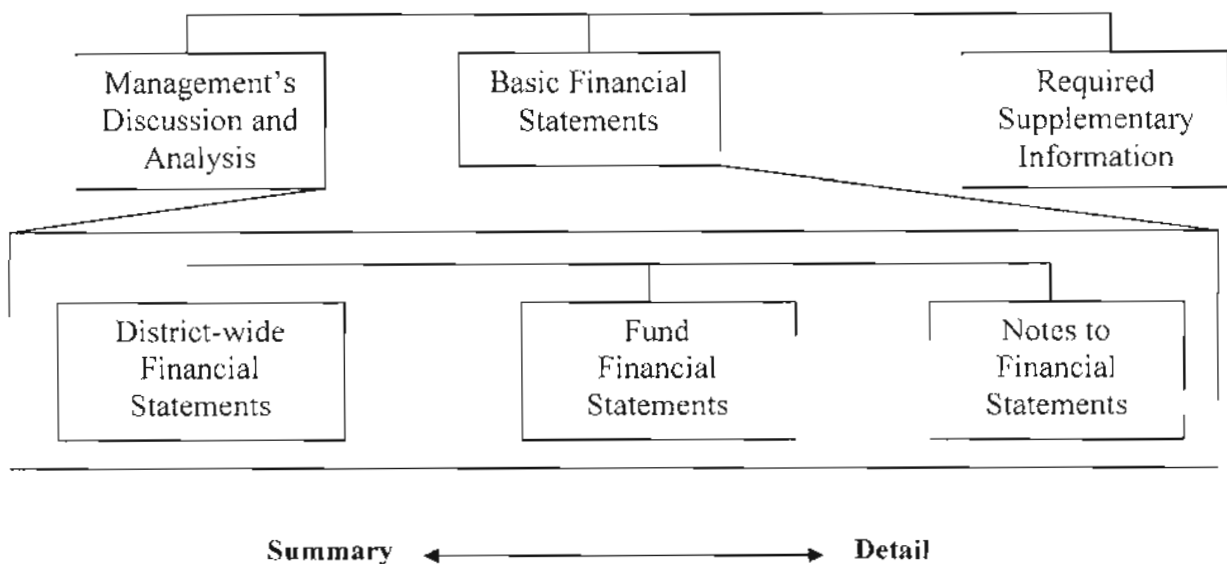


Figure A-2 summarized the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
		Governmental funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-Wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school Academies and area school districts.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities – The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The Academy has one kind of fund:

Governmental fund – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the academy's programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial Analysis of the Academy as a Whole

The ending general fund balance for the school year was \$6,584.

Net assets - the Academy's combined net assets were (\$1,464,839) on June 30, 2008. See Figure A – 3.

The total revenues were \$2,695,196. State aid foundation allowance included in revenue from state sources accounts for 90 percent of the academy's revenue.

The total cost of instruction was \$1,055,542. The total cost of support services were \$2,239,124.

Crescent Academy Net Assets

	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,060,493	\$ 1,211,903
Noncurrent assets	509,167	1,093,251
Capital assets	<u>5,125,739</u>	<u>5,372,215</u>
Total assets	<u>6,695,399</u>	<u>7,677,369</u>
Current liabilities	1,070,238	1,312,384
Noncurrent liabilities	<u>7,090,000</u>	<u>7,090,000</u>
Total liabilities	8,160,238	8,402,384
Net assets (deficit):		
Invested in capital assets, net of related debt	(1,543,024)	(1,247,047)
Restricted - Debt service	105,118	522,513
Unrestricted	<u>(27,389)</u>	<u>(481)</u>
Total net assets (deficit)	<u>\$ (1,464,839)</u>	<u>\$ (725,015)</u>

Changes in Crescent Academy's Net Assets

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 407,654	\$ 242,600
General revenues:		
State aid - unrestricted	2,291,312	2,262,836
Investment		49,164
Charges for services	127,197	26,621
Other	<u>8,060</u>	<u>1,632</u>
Total revenues	<u>2,834,223</u>	<u>2,582,853</u>
Expenses:		
Instruction	1,055,542	970,146
Support services	1,655,900	1,634,387
Food Services	98,540	68,013
Community services	8,215	11,481
Interest expense	459,653	332,333
Unallocated depreciation and amortization	<u>296,197</u>	<u>46,667</u>
Total expenses	<u>3,574,047</u>	<u>3,063,027</u>
Change in net assets	<u>\$ (739,824)</u>	<u>\$ (480,174)</u>

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account for increased legal costs, change in debt payments, student enrollment counts, federal funds, and changes in assumptions (e.g. staffing changes, instructional, transportation, community services) since the original budget was adopted.

While the Academy's final budget for the general fund anticipated expenditures would exceed revenue by \$19,362 the actual results for the year showed expenditures exceeded revenue by \$27,741.

Capital asset and Debt Administration

Capital Assets

By the end of the year ended June 30, 2008, the Academy had invested \$5,613,736 in capital assets consisting primarily of its building, computers, software, furniture and fixtures. Information about capital assets can be found in Note 5 to the financial statements. Total accumulated depreciation was \$487,997.

The Academy's capital assets are as follows:

Figure A-5	
Crescent Academy's Capital Assets	
Land	\$ 287,960
Building and improvements	4,866,642
Computers	219,685
Furniture and fixtures	239,449
Total cost	5,613,736
Accumulated depreciation	487,997
Net book value	<u><u>\$ 5,125,739</u></u>

Facilities Lease Obligation

The Academy paid \$15,983 for lease obligations during the 2008 school year. This was for a lease owed to the previous management company. The Academy is disputing the balance of the lease in the amount of \$84,017.

Long-Term Debt

At year end the Academy had \$7,190,000 in capital leases and COP's. (More detailed information about the Academy's long-term liabilities is presented in Note 9 to the Financial Statements).

Figure A-6		
Crescent Academy's Outstanding Long-term Debt		
	2008	2007
Capital Leases	\$ 84,017	\$ 100,000
Certificate of Participation	7,090,000	7,090,000
Total	<u>\$7,174,017</u>	<u>\$ 100,000</u>

Factors Bearing on the Academy's Future

The Academy restructured its building debt as of July 2008, to align with the value of the building. This will result in a large savings to the school.

Enrollment has increased for the 2008-2009 school year due to increased marketing and strong leadership.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the academy's office at 17570 West Twelve Mile Road, Southfield, MI 48076.

CRESCENT ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 408,652
Investments	105,206
Due from other governmental units	455,008
Prepaid expenses	91,627
Total current assets	1,060,493

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$487,997	5,125,739
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Other Assets

Loan issuance costs at cost less accumulated amortization of \$59,626	505,254
Deposits	3,913
Total other assets	509,167
Total assets	\$ 6,695,399

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 100,362
Note payable	815,000
Other accrued expenses	70,859
Long-term debt - current portion	84,017
Total current liabilities	1,070,238

Long-Term Debt - Long-Term Portion

7,090,000

Net Deficit

Invested in capital assets net of related debt	(1,543,024)
Restricted for debt service	105,118
Restricted for food service	456
Unrestricted	(27,389)
Total net deficit	(1,464,839)
Total liabilities and net assets	\$ 6,695,399

See accompanying notes to financial statements

CRESCENT ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 787,375	\$ -	\$ 45,043	\$ (742,332)
Special education	74,896	-	74,896	-
Compensatory education	193,271	-	193,271	-
Support services	36,466	-	-	(36,466)
Improvement of instruction	10,470	-	-	(10,470)
General administration	553,561	-	-	(553,561)
Executive administration	163,718	77,010	-	(86,708)
Building administration	288,853	-	-	(288,853)
Fiscal services	73,751	-	-	(73,751)
Lunch program	98,540	4,552	94,444	456
Business support services	20,911	-	-	(20,911)
Operations and maintenance	256,705	-	-	(256,705)
Pupil transportation services	228,255	-	-	(228,255)
Other services	23,210	-	-	(23,210)
Custody and care of children	8,215	12,533	-	4,318
Unallocated amortization	49,721	-	-	(49,721)
Unallocated depreciation	246,476	-	-	(246,476)
Unallocated interest	459,653	33,102	-	(426,551)
Total primary government	<u>\$ 3,574,047</u>	<u>\$ 127,197</u>	<u>\$ 407,654</u>	<u>(3,039,196)</u>
General Purpose Revenues:				
State school aid - unrestricted				2,291,312
Rental income				5,810
Private contributions				<u>2,250</u>
Total general purpose revenues				<u>2,299,372</u>
Deficiency of revenues over expenses				(739,824)
Net assets - July 1, 2007				<u>(725,015)</u>
Net assets - June 30, 2008				<u>\$ (1,464,839)</u>

See accompanying notes to financial statements

CRESCENT ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 413,516	\$ -	\$ -
Investments	88	-	105,118
Due from general fund	-	456	-
Due from other governmental units	455,008	-	-
Prepaid expenses	91,627	-	-
Deposits	3,913	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 964,152</u>	<u>\$ 456</u>	<u>\$ 105,118</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 100,362	\$ -	\$ -
Notes payable	815,000	-	-
Other accrued expenses	36,886	-	-
Due to school service fund	456	-	-
Due to student groups	4,864	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	957,568	-	-

Fund Balance

Designated for debt service	-	-	105,118
Designated for school service	-	456	-
Unreserved:			
Undesignated	6,584	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 964,152</u>	<u>\$ 456</u>	<u>\$ 105,118</u>

See accompanying notes to financial statements

CRESCENT ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 112,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,613,736 and the accumulated depreciation is \$487,997.	5,125,739
Intangible assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the asset is \$564,880 and the accumulated amortization is \$59,626.	505,254
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(33,973)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,174,017)</u>
Net Deficit of Governmental Activities	<u><u>\$ (1,464,839)</u></u>

See accompanying notes to financial statements



CRESCENT ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

	General	School Service	Debt Service	Capital Outlay
Revenues				
Local sources	\$ 112,342	\$ 4,552	\$ 18,363	\$ -
State sources	2,421,256	2,492	-	-
Federal sources	161,598	91,952	-	-
Total governmental fund revenues	2,695,196	98,996	18,363	-
Expenditures				
Elementary school	787,375	-	-	-
Special education	74,896	-	-	-
Compensatory education	193,271	-	-	-
Support services	36,466	-	-	-
Improvement of instruction	10,470	-	-	-
General administration	238,746	-	314,815	-
Executive administration	163,718	-	-	-
Building administration	288,853	-	-	-
Fiscal services	73,751	-	-	-
Lunch program	-	98,540	-	-
Business support services	20,911	-	-	-
Operations and maintenance	256,705	-	-	-
Pupil transportation services	228,255	-	-	-
Other services	23,210	-	-	-
Custody and care of children	8,215	-	-	-
Debt principal and interest	68,794	-	407,675	-
Total governmental fund expenditures	2,473,636	98,540	722,490	-
Excess (deficiency) of revenues over expenditures	221,560	456	(704,127)	-
Other Financing Sources (Uses)				
Payment from intermediate school district	21,668	-	-	-
Operating transfers in	-	-	286,732	-
Operating transfers out	(270,969)	-	-	(15,763)
Total other financing sources (uses)	(249,301)	-	286,732	(15,763)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(27,741)	456	(417,395)	(15,763)
Fund balance - July 1, 2007	34,325	-	522,513	15,763
Fund balance - June 30, 2008	\$ 6,584	\$ 456	\$ 105,118	\$ -

See accompanying notes to financial statements

CRESCENT ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	(460,443)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(246,476)
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Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, intangible assets are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which amortization exceeded loan issuance costs in the current period.

Amortization expense	(49,721)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 15,983	
Interest expense	<u>833</u>	<u>16,816</u>

Change in Net Assets of Governmental Activities	\$	<u>(739,824)</u>
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See accompanying notes to financial statements

CRESCENT ACADEMY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report**

ASSETS

	<u>Agency</u>
Due from general fund	\$ 4,864
Total assets	<u>\$ 4,864</u>

LIABILITIES

Due to student groups	\$ 4,864
Total liabilities	<u>\$ 4,864</u>

See accompanying notes to financial statements



CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Crescent Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Crescent Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in February 2004, and began operation in August 2004.

In August 2004, the Academy entered into a eight-year contract with Bay Mills Community College Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The College's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Bay Mills Community College Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$72,060.

In August, 2007 the Academy entered into a one-year agreement with CS Partners, "CSP". Under the terms of this agreement, CSP provides a variety of services including management curriculums, educational programs and teacher training. The Academy is obligated to pay CSP eleven percent of its applicable revenues from state aid payments. The total paid for these services amounted to approximately \$91,700 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has designated all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into governmental fund types as follows:

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general and school service funds. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt budgets for the general fund and school services fund. For the financial statement presentation these amounts are shown as a separate debt service fund. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

	Budget	Actual
General Fund		
Support services	\$ 28,563	\$ 36,466
General administration	224,500	238,746
Executive administration	83,391	163,718
Building administration	287,611	288,853
Pupil transportation services	221,791	228,255
Operating transfers out	254,500	270,969
School Service Fund		
Lunch program	85,000	98,540

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ 350
Demand deposits			413,166
Total deposits			413,516
Investments:			
U.S. Treasury and agency obligations	Aaa	Various	88
U.S. Treasury and agency obligations	Aaa	Various	105,118
Total deposits and investments			\$ 518,722

The above amounts are reported in the financial statements as follows:

Deposits:		
Cash - Agency fund	\$ 4,864	
Cash - Academy wide	408,652	
Subtotal	413,516	
Investments:		
Investments - General fund	88	
Investments - Debt service	105,118	
Subtotal	105,206	
Total deposits and investments	\$ 518,722	

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$238,350 of the Academy's bank balance of \$338,350 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units at year end consists of the following:

At risk	\$	17,089
Special education		4,208
State aid		416,789
Federal grants		16,922
		<hr/>
Total	\$	455,008
		<hr/>

NOTE 5 - Facilities, Furniture & Equipment

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Land	\$ 287,960	\$ -	\$ 287,960
Building	4,714,460	-	4,714,460
Computers	219,685	-	219,685
Furniture and equipment	239,449	-	239,449
Leasehold improvements	152,182	-	152,182
	<hr/>	<hr/>	<hr/>
Total cost	5,613,736	-	5,613,736
	<hr/>	<hr/>	<hr/>
Less accumulated depreciation	241,521	246,476	487,997
	<hr/>	<hr/>	<hr/>
Undepreciated cost	\$ 5,372,215	\$ (246,476)	\$ 5,125,739
	<hr/>	<hr/>	<hr/>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 6 - Intangible Assets and Amortization

Intangible asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Balance June 30, 2008</u>
Loan issuance costs	\$ 564,880	\$ -	\$ 564,880
Less accumulated amortization	<u>9,905</u>	<u>49,721</u>	<u>59,626</u>
Unamortized cost	<u>\$ 554,975</u>	<u>\$ (49,721)</u>	<u>\$ 505,254</u>

NOTE 7 - Note Payable

The Academy has obtained two business loans through a bank amounting to \$880,000 and \$655,000, respectively. The loans were issued to provide the Academy with funds to finance school operations throughout the school year. The first loan is payable \$80,000 monthly, plus interest at 5.75% on the remaining balance through August 2008. Security for the loan is provided through future state school aid payments. The amount outstanding on the loan at June 30, 2008 was \$160,000.

The second loan is payable in full as of September 2008, with interest due monthly at 5.75%. Security for the loan is provided through future state school aid payments. The amount outstanding on the loan at June 30, 2008 was \$655,000.

NOTE 8 - Accrued Expenses

Accrued expenses may be summarized as follows:

	<u>Net Assets</u>	<u>Funds</u>
Purchased services	\$ 24,400	\$ 24,400
University oversight	12,486	12,486
Interest	<u>33,973</u>	<u>-</u>
Total accrued expense	<u>\$ 70,859</u>	<u>\$ 36,886</u>

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 9 - Long-Term Obligation Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008:

	Balance 7/1/2007	Additions	Retirements & Payments	Balance 6/30/2008	Due Within One Year
Capital Lease	\$ 100,000	\$ -	\$ 15,983	\$ 84,017	\$ 84,017
Certificates of Participation	7,090,000	-	-	7,090,000	-
Totals	<u>\$ 7,190,000</u>	<u>\$ -</u>	<u>\$ 15,983</u>	<u>\$ 7,174,017</u>	<u>\$ 84,017</u>

In December 2006, the Academy issued \$7,090,000 of Certificates of Participation bearing interest at 5.75% through the year ended June 30, 2037. This was obtained by Dr. Charles Drew Academy acting as a conduit financier to enable Crescent Academy to finance the purchase of its school building. The Academy's obligation is absolute and unconditional in all events and that each Crescent purchase payment is payable without any right of set-off or counterclaims.

The obligations require semi-annual interest payments due on December 1 and June 1 and an annual payment of principal due on December 1 beginning in 2010. The Certificates are collateralized by the Academy's facilities, as well as a pledge for 20% of the state school aid payments and funds help in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	Principal	Interest
2009	\$ -	\$ 407,675
2010	-	407,675
2011	105,000	404,657
2012	110,000	398,475
2013	115,000	392,006
2014-2018	700,000	1,847,475
2019-2022	930,000	1,614,614
2023-2027	1,235,000	1,205,108
2028-2032	1,655,000	892,830
2033-2037	2,240,000	310,500

Minimum future lease agreements under capital lease as of June 30, 2008 for the next year.

2008	\$ 87,916
Less representing interest	3,899
Present value of minimum lease payments	<u>\$ 84,017</u>

CRESCENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 10 - Operating Lease Agreements

The Academy leases five buses under a non-cancelable operating lease agreement with an unrelated third party beginning during 2005 and 2006 and expiring at various times through December 2009. The leases require approximate annual rentals of \$80,000.

The approximate amount of operating lease obligations coming due during the next two years are as follows:

2009	\$	52,320
2010		18,682

Total rent expense included in the determination of net earnings for the year ended June 30, 2008 amounted to \$80,617.

NOTE 11 - Retirement Plan

All employees of the Academy are eligible to participate in a retirement plan established by CSP Management which qualifies under the provisions of section 401(k) of the Internal Revenue Code. Through December 2007, the Academy contributed 5% of salaries regardless of the amount the employee contributes. The Academy declined to make a contribution for the remainder of the year. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The Academy's contributions for the year ended June 30, 2008 amounted to approximately \$9,850.

NOTE 12 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Outlay</u>
Transfers In	\$ -	\$ 286,732	\$ -
Transfers Out	270,969	-	15,763

As stipulated by the Academy's Certificates of Participation as described in Note 9, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. This accounts for the major activity in the Academy's interfund transfer account.

CRESCENT ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 13 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.

NOTE 14 - Subsequent Events

In July 2008, the Academy refinanced their Certificates of Participation (COP) issuance originally dated December 1, 2006 as described in Note 9. The refinancing arrangement was initiated by a Notice of Intent to Revoke Crescent's charter from its authorizer, Bay Mills Community College (BMCC), citing various irregularities with the original issuance. BMCC required the issuance to be unwound if the Academy was to continue as a charter public school.

In response to this intent to revoke, the Academy undertook negotiations with the owners of the original COP's to refinance in a way that would be acceptable to BMCC, as well as provide the Academy with a more manageable cash flow.

The Academy refinanced a portion of its debt into a new municipal obligation with a principal amount of \$3,200,000 including interest at 7% payable in semi-annual installments through October 1, 2036. The proceeds of the new municipal obligations will be used to pay a portion of the COP's and to pay related costs of issuance. Any amounts that remain outstanding after consummation of the new financing shall be payable solely from third-party recoveries.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
of Crescent Academy

We have audited the accompanying financial statements of Crescent Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the financial statements of Crescent Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan

CRESCENT ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	Original Budget	General Final Budget	Actual
Revenues			
Local sources	\$ 55,000	\$ 38,400	\$ 112,342
State sources	2,662,611	2,421,258	2,421,256
Federal sources	62,840	151,542	161,598
Total governmental fund revenues	2,780,451	2,611,200	2,695,196
Expenditures			
Elementary school	767,810	790,500	787,375
Special education	40,000	80,370	74,896
Compensatory education	114,930	198,144	193,271
Support services	44,000	28,563	36,466
Improvement of instruction	5,000	25,402	10,470
General administration	40,500	224,500	238,746
Executive administration	286,840	83,391	163,718
Building administration	273,921	287,611	288,853
Fiscal services	25,000	73,950	73,751
Lunch program	-	-	-
Business support services	106,000	21,750	20,911
Operations and maintenance	274,902	257,970	256,705
Pupil transportation services	221,124	221,791	228,255
Other services	32,250	26,000	23,210
Custody and care of children	12,053	10,553	8,215
Debt principal and interest	105,499	69,567	68,794
Total governmental fund expenditures	2,349,829	2,400,062	2,473,636
Excess (deficiency) of revenues over expenditures	430,622	211,138	221,560
Other Financing Sources (Uses)			
Payment from intermediate school district	-	24,000	21,668
Operating transfers in	-	-	-
Operating transfers out	(425,175)	(254,500)	(270,969)
Total other financing sources (uses)	(425,175)	(230,500)	(249,301)
Excess of revenues and other financing sources over expenditures and other uses	5,447	(19,362)	(27,741)
Fund balance - July 1, 2007	34,325	34,325	34,325
Fund balance - June 30, 2008	\$ 39,772	\$ 14,963	\$ 6,584

School Service

Original Budget	Final Budget	Actual
\$ 7,500	\$ 7,500	\$ 4,552
-	-	2,492
60,000	60,000	91,952
67,500	67,500	98,996
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
85,000	85,000	98,540
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
85,000	85,000	98,540
(17,500)	(17,500)	456
-	-	-
17,500	17,500	-
-	-	-
17,500	17,500	-
-	-	456
-	-	-
\$ -	\$ -	\$ 456

CRESCENT ACADEMY

SCHEDULE OF REVENUES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Local Sources			
Private contributions	\$ 2,250	\$ -	\$ -
Custody and care of children	12,533	-	-
Interest income	14,739	-	18,363
Food sales	-	4,552	-
Rental income	5,810	-	-
Miscellaneous	77,010	-	-
	<hr/>	<hr/>	<hr/>
Total local sources	112,342	4,552	18,363
State Sources			
At risk	93,946	-	-
School lunch	-	2,492	-
State aid	2,291,312	-	-
Special education	35,998	-	-
	<hr/>	<hr/>	<hr/>
Total state sources	2,421,256	2,492	-
Federal Sources			
Federal commodities food services	-	1,812	-
National school lunch	-	90,140	-
IDEA	31,231	-	-
Service provider self review grant	4,000	-	-
Title I	105,696	-	-
Title IIA	19,658	-	-
Title IID	487	-	-
Title V	526	-	-
	<hr/>	<hr/>	<hr/>
Total federal sources	161,598	91,952	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	\$ 2,695,196	\$ 98,996	\$ 18,363
	<hr/>	<hr/>	<hr/>

CRESCENT ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Elementary School			
Purchased services - salaries	\$ 602,263	\$ -	\$ -
Purchased services - benefits	80,722	-	-
Purchased services - payroll taxes	67,990	-	-
Teaching supplies and materials	18,823	-	-
Textbooks	14,843	-	-
Miscellaneous	2,734	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	787,375	-	-
Special Education			
Contracted services	64,668	-	-
Teaching supplies and materials	10,228	-	-
	<hr/>	<hr/>	<hr/>
Total special education	74,896	-	-
Compensatory Education			
Purchased services - salaries	102,135	-	-
Purchased services - benefits	160	-	-
Purchased services - payroll taxes	11,051	-	-
Contracted services	48,130	-	-
Teaching supplies and materials	31,795	-	-
	<hr/>	<hr/>	<hr/>
Total compensatory education	193,271	-	-
Support Services			
Outside services	36,466	-	-
Improvement of Instruction			
Workshops & conferences	10,470	-	-
General Administration			
Accounting services	8,911	-	-
Attorney fees	212,856	-	254,277
Dues and fees	4,702	-	60,538
Marketing and recruitment	11,105	-	-
Miscellaneous	1,172	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	238,746	-	314,815

CRESCENT ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Executive Administration			
Management fees	91,662	-	-
Oversight fees	72,056	-	-
Total executive administration	163,718	-	-
Building Administration			
Purchased services - salaries	188,927	-	-
Purchased services - benefits	18,374	-	-
Purchased services - payroll taxes	17,471	-	-
Equipment maintenance	33,026	-	-
Office supplies	20,826	-	-
Postage	5,462	-	-
Miscellaneous	4,767	-	-
Total building administration	288,853	-	-
Fiscal Services			
General services	7,263	-	-
Accounting services	5,012	-	-
Human resource services	61,476	-	-
Total fiscal services	73,751	-	-
Lunch Program			
Purchased services - salaries	-	9,785	-
Purchased services - payroll taxes	-	1,092	-
Food	-	87,663	-
Total lunch program	-	98,540	-
Business Support Services			
Bank fees	1,469	-	-
Dues and fees	16,943	-	-
Insurance	2,499	-	-
Total business support services	20,911	-	-

CRESCENT ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Operations and Maintenance			
Contracted services	58,287	-	-
Facility management	34,370	-	-
Liability insurance	28,767	-	-
Repairs and maintenance	48,268	-	-
Supplies	22,325	-	-
Utilities	64,688	-	-
	<hr/>	<hr/>	<hr/>
Total operations and maintenance	256,705	-	-
Pupil Transportation Services			
Purchased services - salaries	107,655	-	-
Purchased services - payroll taxes	12,758	-	-
Bus rental	80,617	-	-
Fuel	24,786	-	-
Repairs and maintenance	1,068	-	-
Miscellaneous	1,371	-	-
	<hr/>	<hr/>	<hr/>
Total pupil transportation services	228,255	-	-
Other Services			
Technology	21,897	-	-
Pupil accounting	1,313	-	-
	<hr/>	<hr/>	<hr/>
Total other services	23,210	-	-
Custody and Care of Children			
Purchases services - salaries	7,371	-	-
Purchased services - payroll taxes	779	-	-
Supplies	65	-	-
	<hr/>	<hr/>	<hr/>
Total custody and care of children	8,215	-	-
Debt Principal and Interest	<hr/>	<hr/>	407,675
	68,794	-	
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	\$ 2,473,636	\$ 98,540	\$ 722,490
	<hr/>	<hr/>	<hr/>

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Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Crescent Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crescent Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crescent Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crescent Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crescent Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

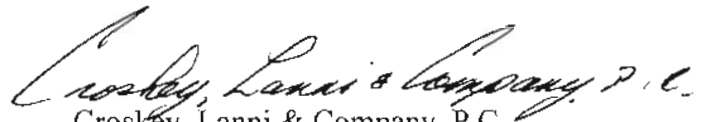
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Crescent Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

August 1, 2008
Rochester, Michigan

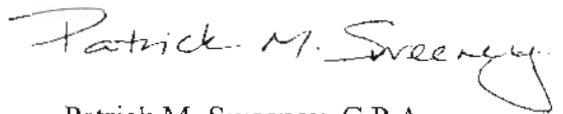
November 20, 2008

Crescent Academy
17570 West 12 Mile Road
Southfield, MI 48076

To whom it may concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2008.

Very truly yours,
Croskey, Lanni & Company, P.C.



Patrick M. Sweeney, C.P.A.